



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 147** SLS 11RS 314
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 18, 2011 4:05 PM	Author: CHAISSON
Dept./Agy.:	Analyst: Greg Albrecht
Subject: Budget Stabilization Fund	

FUNDS/FUNDING EG -\$49,600,000 GF RV See Note Page 1 of 1
 Constitutional amendment to provide relative to deposits into the Budget Stabilization Fund. (2/3-CA13s1(A))

Current law provides for automatic deposits to the Budget Stabilization Fund from mineral revenue over certain thresholds (\$850 million plus parish severance and royalty allocations).

Proposed law provides that whenever there is mineral revenue available above its base threshold and monies are made available to the budget from the Fund, no automatic deposits of mineral revenue shall occur in the fiscal year for which the Fund was used nor the ensuing fiscal year. Automatic mineral revenue deposits then resume in annual installments of 25% of the most recent amount of the Fund used, until the Fund reaches its maximum allowed balance or the total amount used is reached, whichever is less.

To be submitted at the statewide election on October 22, 2011, and if adopted, effective July 1, 2012.

EXPENDITURES	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$49,600,000)	(\$49,600,000)	(\$49,600,000)	(\$5,200,000)	(\$154,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$49,600,000	\$49,600,000	\$49,600,000	\$5,200,000	\$154,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill attempts to address a situation that occurred near the end of FY10, when the revenue forecast for that year dropped dramatically at year-end, triggering availability of the Budget Stabilization Fund. After the appropriate legislative steps, \$198.4 million was withdrawn to support FY10 state general fund appropriations. Since mineral revenue collections at that time were well above the thresholds established for diversion into the Budget Stabilization Fund rather than the state general fund, this withdrawal from the Fund would have necessitated a diversion of mineral revenue into the Fund. This mineral revenue was already obligated to supporting FY10 appropriations. Thus, in a case such as this, using the Budget Stabilization Fund would trigger a diversion of already obligated resources from the state general fund back into the Budget Stabilization Fund. Basically, the use of the Fund itself negates the purpose for which the Fund exists, to support and stabilize state general fund appropriations when state general fund revenue forecasts are reduced.

Current law attempts to allow for use of the Budget Stabilization Fund in these cases by prohibiting the flow of mineral revenue into the Fund until revenue forecasts exceed the actual collections received in FY08, a high water mark for state revenue collections, and a level not anticipated to be reached again at least within the current forecast horizon.

Proposed law allows for use of the Budget Stabilization Fund in these cases by prohibiting the automatic flow of mineral revenue into the Fund during the fiscal year which the Fund was used to support and the ensuing fiscal year. After that pause automatic mineral revenue flows would resume in an annual amount equal to 25% of the withdrawal from the Fund, until the Fund had reached its constitutional maximum balance or the amount of the withdrawal had been replenished, whichever is less. These provisions allow withdrawals from the Fund to be phased back into the Fund and to be planned for in the budget planning horizon.

Currently, however, automatic mineral revenue flows into the Fund have been prohibited by current law. Once this bill becomes law, July 1, 2012 for FY13, the provisions of this bill would call for \$49.6 million of mineral revenue (25% of \$198.4 million), currently flowing to the general fund, to be allocated to the Budget Stabilization Fund, in FY13 and each subsequent year until the Fund was filled or the \$198.4 million withdrawal had been replenished.

Currently, the Fund balance is approximately \$154 million below its maximum allowed balance. Thus, that is the current total exposure of the state general fund to these provisions.

Senate <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<u>Dual Referral Rules</u>	House <input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S} <input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S} <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	 H. Gordon Monk Legislative Fiscal Officer
--	-----------------------------------	---	--